

# WORKERS, EMPLOYERS

and the Distribution of Israel's National Income

Labor Report: 2005

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#### **Introduction**

This report is the first in a new series. It presents a picture of the situation in Israel regarding employment, unemployment, wages, and how the national income is distributed between workers and employers.

Most of the figures presented relate to the present decade, though some include a longer period of time. The present decade began with unusually high growth rates, attributed to the hi tech industry, which sold a number of start-ups to foreign corporations, against the background of the global hi tech bubble. The second *intifadah*, which broke out in September 2000, together with the bursting of the global hi tech bubble, was followed by an unprecedented contraction of economic activity in Israel. This was reflected in two consecutive years of decrease in GDP and three consecutive years of decrease in GDP per capita, accompanied by high rates of unemployment.

In the middle of 2003, when the level of suicide bombings within Israel proper declined, economic activity began once again to expand, followed by another two years of growth: in 2004, GDP expanded by 4.4% and in 2005, by 5.2%. However, this growth has not yet brought about the promised outcomes: while it has been accompanied by a sharp increase in the share of employers in the national income, the share of the workers – salaried as well as self-employed - has been on the decline. Unemployment is decreasing, but the pace is painfully slow. At the same time, the proportion of persons unemployed for long periods of time, as well as the proportion of unemployed persons who despair of finding jobs, has been growing. While the demand for workers has increased, the majority of the job offers are part time. Wages that fell during the recession years have not returned to their former levels. Finally, over the long run, we see a trend of increasing polarization between the remuneration of persons in the top income centile, whose salaries increased by 39% over the last two decades, and that of persons earning low wages (2/3 or less of the median wage), whose salaries increased by only 7%.

Part

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Distribution of the National Income Between Workers and Employers

#### Distribution of the National Income Between Workers and Employers

Over long periods of time, the share of workers and of employers in the national income tends to remain stable. Thus, during most of the 1990s, the share of Israeli workers – both salaried and self-employed – in the national income was about 75%. The scales can tip in favor of employers in a number of ways: through rapid economic growth, through the introduction of new technologies, through the immigration or import of cheap labor, or through the transfer of production lines to countries with cheap, non-unionized labor. In contrast, considerable and prolonged efforts are required on the part of workers to tip the scales in their favor: this usually comes about as a result of unionization or of a radical change in the political system.

Even if changes in the share of workers and employers in the national income are small, the amounts involved are significant: in 2005, for example, Israel's national income was NIS 455.7 billion, one percent of which was NIS 4.6 billion. Had the share of workers in the national income been 76%, as it was in 2001, and not 70%, as it was in 2005, workers would have received NIS 27.6 billion more than they did. Dividing up this amount by the number of workers in Israel in 2005 – about 2.5 million (not including migrant workers) – we arrive at an average loss of some NIS 11,000 for the year, or about NIS 900 per month.

#### Distribution of the National Income, 2000-2005

The following table allows us to follow changes in the distribution of the national income over the past five years. In 2000, the year of the hi tech bubble, the national income amounted to NIS 406.9 billion (a 7% growth over 1999). Workers' share was 75% and employers' share, 9%.

Following the bursting of the hi tech bubble and the outbreak of the *intifadah* in 2000, in 2001 the national income grew by only 1.9%, to NIS 414.6 billion. The workers' share stood at 76%. In contrast, employers' profits decreased from NIS 37.3 billion to NIS 25 billion (a decline of 21%), and their share of the national income decreased from 9% to 6%.

In 2002, the effects of the recession brought on by the *intifadah* were reflected in the figures. The national income declined from NIS 414.6 billion to NIS 398.1 billion (a decrease of 4%). The total amount received by the workers also decreased, but their share of the national income remained stable at 76%. The total amount received by employers plummeted from NIS 25 billion to NIS

## **Distribution of National Income, 2000-2005**NIS millions • Constant 2005 prices

2000 2001 2002 2003 2004 2005 **Total National income** 406,867 414,626 398,091 404,130 423,601 455,654 market prices 1. Workers' share: 305,668 315,111 301,063 295,350 306,484 319,808 compensation of Israeli residents Compensation: resident 281,654 290,705 277,746 270,657 281,453 293,961 employees Compensation: self-employed 35,700 37,498 36,750 35,210 35,132 34,106 2. Employers' share: domestic operating surplus, not including owner-occupied dwellings 37,314 24,960 15,303 26,767 36,052 46,196

61,980

64,909

65,565

66,157

69,355

Notes:

3. Net taxes on domestic production

- 1. Excludes domestic income from rent and income from properties and business activities abroad.
- 2 National Income in market prices includes the share of workers (salaried and self-employed), the share of employers, and net taxes on domestic production.

Source: Adva Center analysis of figures received from the National Accounts Department of the Central Bureau of Statistics, April 4, 2006.

60,879

2. Employers' share:

domestic operating surplus, not including owner-occupied dwellings

3. Net taxes on domestic production

Distribution of National Income, 2000-2005 Percentages 2000 2001 2002 2003 2004 2005 **Total National income** 100 100 100 100 100 100 market prices 1. Workers' share: 75 76 76 73 72 70 compensation of Israeli residents Compensation: resident 66 67 67 64 64 62 employees Compensation: self-employed 9 9 9 9 8 8

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Source: Central Bureau of Statistics, Press Release, "Israel's National Accounts for 2005," March 15, 2006.

15.3 billion, and their share in the national income dipped from 7% to 4%. In the middle of 2003, the security situation improved, and economic activity expanded. The amount received by employers rose, returning to its 2001 level. Their share rose from 4% to 7%. In contrast, the amount received by workers continued to shrink, along with their share of the national income, which declined from 76% to 73%.

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The trend continued into 2004 and 2005: the amount received by workers grew somewhat, returning to its 2001 level, but their share of the (increasing) national income continued to shrink, to 72% and then to 70%, while the share of employers continued to grow, to 9% and then to 10%.

# Compensation for Work Decreases

The decline in the share of workers in the national income, and the rise in the share of employers, are also reflected in figures published by the National Bureau of Statistics on **compensation per hour** and on **product per hour** of work.

Compensation per hour is calculated by dividing the total compensation for work by the total number of hours worked (salaried persons only) during the year.

**Product per hour** is calculated by dividing the total product by the total number of hours of work of both salaried and self-employed workers; it is a measure of **productivity**.

As can be seen in the following table, since 2001, there has been a decline in the **compensation per hour**. The decline began during the *intifadah* but has not

#### **Product Per Hour Rises; Compensation Per Hour Declines**

2000-2005 • NIS • Constant 2005 Prices

		All Sectors of the Economy							
	Compensat	ion per hour	Product	per hour					
Year	NIS	Percentage change	NIS	Percentage change					
2000	64.3	4.2%	93.6	4.6%					
2001	66.4	3.4%	94.8	1.3%					
2002	62.9	-5.3%	90.9	-4.1%					
2003	61.5	-2.2%	91.6	0.7%					
2004	63.2	2.9%	95.6	4.4%					
2005	62.7	-0.9%	96.3	0.7%					

Source: Adva Center analysis of figures received from the National Accounts Department of the Central Bureau of Statistics, April 3, 2005.

changed significantly since then. The remuneration per hour in 2005 was lower than it was in 2000 and 2001.

At the same time, **product per hour**, which declined during the recession years, increased considerably during the growth years. While between 2001 and 2003 growth rates were low, and in 2002 growth was negative, 2004 and 2005 saw high growth rates.

In other words, Israel's present wave of growth is characterized by a rise in productivity that is not reflected in the hourly wages of workers.

Part 2 2 Salaries

#### Decline in the Wages of Salaried Workers

In this part of the report, we will show how the decline in workers' share of the national income is reflected in workers' wages - and in wage gaps.

We begin with hourly wages. The table opposite presents average hourly wages by selected economic sectors. We can see that for men, hourly wages have declined somewhat since the beginning of the decade, while for women, they have experienced a slight rise. Men's wages declined in six out of the seven areas presented here, rising only in the manufacturing sector. As for women's wages, they rose in manufacturing and in banking, insurance and financial services; and they declined in business services, education, and health and welfare services; in the areas of hotel and restaurant services, commerce and auto repair, women's hourly wages remained much the same.

The table also shows that hourly wages are lowest in the areas of hotel and restaurant services, and that they are highest in the banking, insurance and financial services sector.

Finally, we see that there are significant differences between men's and women's hourly wages. Interestingly, the higher the wage level, the greater the gap between men's and women's wages. The smallest gap is in the area of hotel and restaurant services (in 2004, a gap of 10%), and the largest gap is in the area of banking, insurance and financial services (in 2004 - 26%).

#### Salaries of Senior Executives

As we have seen, the average hourly compensation of salaried persons is stagnant or decreasing. Senior executives are a different story. Their salaries declined somewhat during the *intifadah* years, returned to their 2000 level in 2003, and rose significantly in 2004.

The *Globes* newspaper publishes annual figures on the salary bills of the top five executives of corporations traded on the Tel Aviv Stock Exchange.

According to those figures, in 2004 the average annual salary bill of such a top executive was NIS 1.73 million. This sum amounts to a rise of 56% over the last decade: in 1995, the equivalent salary bill was NIS 1.11 million.

We should bear in mind that in many cases, the salary bill of top executives reaches enormous proportions: for example, the salary bill of the directorgeneral of Bank Hapoalim was NIS 33.5 million in 2005 (*Ynet*, April 20, 2004).

#### **Average Gross Salary of Employees**

)	M	en	Wo	men
	2000	2004	2000	2004
Total	45.2	44.8	37.4	37.7
Hotel and restaurant services	30.3	27.2	24.3	24.5
Trade and repair of motor vehicles	36.6	35.9	28.2	28.1
Manufacturing	43.5	44.7	30.7	34.5
Business activities	57.0	51.1	43.5	39.1
Education	55.6	53.0	43.4	41.6
Health, welfare and social services	53.5	53.5	39.3	38.7
Banking, insurance & finance	81.1	69.5	47.3	51.2

Sources: Adva Center analysis of Central Bureau of Statistics, Income Survey, 2000 and 2004. Salaries of Senior Executives

#### **Salaries of Senior Executives**

Average Annual Salary Bill of Senior Executives in Companies Listed on the Tel Aviv Stock Exchange • 2000-2004 • Constant 2004 prices • NIS million



Source: Globes magazine, "Executive Salaries 2004," April 21, 2005

#### Regardless of Where They Work, the Majority of Workers Recieve Low Wages

As we have seen, there are considerable differences in average per-hour wages in different sectors of the economy. Workers in banking, insurance and financial services earned in 2004, on average, 2.6 times the average salaries of workers employed in hotel and restaurant services.

However, if we examine wages within each sector of the economy, we find that wage levels are consistently unequal: in each sector, a large portion of the workers earns low wages; in all of them, the proportion of workers earning high salaries is quite low. What happens is that often the high salaries of a minority of workers have the power to raise the average for the whole sector.

We can examine this phenomenon with the help of figures published by the National Insurance Institute that show breakdowns of wages in relation to the average wage. The first year for which such figures are available is 1994 and the most recent -2003.

On average, about 41% of wage earners received in 2003 wages equivalent to half the average wage (NIS 3,729) or less. In the field of hotel and restaurant services, where wages are the lowest, 51.2% of workers earned up to half the average wage. But even in the field of banking, insurance and financial services, where the average wage is much higher, a similar proportion of workers – 46.7% - earned wages that were no higher than half the average wage.

Moreover, nearly two-thirds of workers earned no more than NIS 5,594 - 75% of the average wage in 2003.

The proportion of workers earning more than the average wage in 2003 - NIS 7,458 – was 27%. The proportion was higher in the manufacturing (36.8%) and transportation (37.4%) sectors; in contrast, it was much lower in agriculture – only 16%.

The proportion of workers earning at least three times the average wage – about NIS 20, 000 – was 3.8%. It was highest in manufacturing – 5.8% and lowest in agriculture – 1.2%.



#### **Employees' Wages in Israel Relative to the Average Wage**

by Job Sector 1994 and 2003 • Percentages • Monthly Average

		Up to ave	erage wage – cı	ımulative	More than average wage				
Economic sector	Year	Up to 50% of the average wage	Up to 75% of the average wage	Up to average wage	Up to twice the average wage	Up to three times the average wage	Three times the average wage or more		
T	1994	41.9%	61.4%	72.5%	18.7%	5.5%	3.3%		
Total	2003	41.1%	61.4%	73.0%	17.7%	5.5%	3.8%		
A	1994	68.0%	Up to T5% of the average wage average wage wage the average wage the average wage of t	0.5%					
Agriculture	2003	51.2%	73.4%	84.2%	wage         Up to twice the average wage         Up to three times the average wage of wage	1.2%			
NA	1994	34.4%	56.8%	69.4%	20.7%	6.3%	3.6%		
Manufacturing	2003	25.4%	47.6%	63.2%	22.6%	8.4%	5.8%		
Electricity, water supply	1994	33.1%	60.6%	73.8%	17.5%	5.1%	3.6%		
and construction	2003	40.2%	67.2%	80.3%	17.5% 5.1% 3.6% 14.8% 3.1% 1.9% 11.6% 2.8% 2.3%				
Trade, repairs, hotel and	1994	51.7%	73.1%	83.4%	11.6%	2.8%	2.3%		
restaurant services	2003	46.6%	70.5%	82.2%	%       17.5%       5.1%       3.6%         %       14.8%       3.1%       1.9%         %       11.6%       2.8%       2.3%         %       13.3%       2.6%       1.8%         %       25.1%       12.9%       6.0%         %       23.6%       8.8%       5.0%				
T4	1994	24.1%	42.6%	56.0%	25.1%	12.9%	6.0%		
Transport	2003	28.2%	75% of the average wage average wage         the average wage wage         times the average wage of mage of	5.0%					
Banking and	1994	46.4%	63.4%	72.6%	17.7%	5.1%	4.5%		
activities	1994 34.4% 56.8% 69.4% 20.7% 6.3% 3.6% 2003 25.4% 47.6% 63.2% 22.6% 8.4% 5.8% 2003 40.2% 67.2% 80.3% 14.8% 3.1% 1.9% 2003 46.6% 70.5% 82.2% 13.3% 2.6% 1.8% 2003 28.2% 48.6% 62.7% 23.6% 8.8% 5.0% 2003 46.7% 63.8% 72.3% 15.8% 6.5% 5.4% 2003 46.7% 63.8% 72.3% 15.8% 6.5% 5.4% 2003 44.2% 58.9% 70.8% 20.8% 5.6% 2.8% 20.8% 2003 44.2% 58.9% 70.8% 20.8% 5.6% 2.8% 2003 43.4% 62.2% 73.4% 18.8% 5.0% 2.8% 2003 43.4% 62.2% 73.4% 18.8% 5.0% 2.8% 2003 43.4% 62.2% 73.4% 18.8% 5.0% 2.8% 2.8% 2003 43.4% 62.2% 73.4% 18.8% 5.0% 2.8% 2.8% 2003 43.4% 62.2% 73.4% 18.8% 5.0% 2.8% 2.0%	5.4%							
business activities Social	1994	41.2%	58.9%	70.8%	20.8%	5.6%	2.8%		
services	2003	43.4%	6.4%     63.4%     72.6%     17.7%     5.1%     4.5%       6.7%     63.8%     72.3%     15.8%     6.5%     5.4%       1.2%     58.9%     70.8%     20.8%     5.6%     2.8%						
O41	1994	54.4%	72.5%	82.4%	12.7%	2.8%	2.0%		
Other services	2003	55.6%	73.5%	83.0%	11.9%	2.9%	2.1%		

 $\textbf{Notes:} \hspace{0.5cm} \textbf{The total includes also employees whose field of employment is unknown} \\$ 

Source: Adva Center analysis of figures received from the Research and Planning Administration of the National Insurance Institute, March 9, 2006

#### Fringe Benefits

Increasing wage differentials have been accompanied by differentials in fringe benefits.

In addition to their hourly or monthly wages, workers are entitled to payments for the following purposes: social security, continuing education funds, pension and unemployment compensation funds, transportation, cafeteria lunches, and the like.

The table opposite presents the total outlays for wages and fringe benefits in the area of manufacturing, where the categories are graded by technological sophistication.

The table clearly shows differentials with regard to fringe benefits. In 2004, employers in the traditional technological industries paid a total of NIS 1.51 billion for fringe benefits for their workers, a sum that amounted to 15.9% of the total salary bill in that category.

In contrast, employers in the elite technological industries expended a total of NIS 2.537 billion on fringe benefits, a sum that amounted to 21.4% of the total wage bill in that category.

The table also shows that in recent years, the share of fringe benefits paid out by employers to their workers rose somewhat in the traditional technological industries and declined somewhat in the elite technological industries.

#### **Total Employer Outlays for Fringe Benefits**

as a Percentage of Total Salary Payments in Manufacturing • by Degree of Technological Sophistication • 2000–2005 • Thousands of workers • NIS millions • Constant 2005 Prices

17/4F	2000	2001	2002	2003	2004
Traditional Technological Industries			,		
Employees (thousands)	132.1	124.9	120.4	114.1	115.0
Wages of employees	10,206	10,199	9,552	9,197	9,526
Total employers' outlays for fringe benefits	1,501	1,503	1,505	1,493	1,510
Fringe benefit outlays as percentage of wages	14.7%	14.7%	15.8%	16.2%	15.9%
Mixed Traditional Technological Industries		,		,	
Employees (thousands)	88.7	86.8	83.9	83.2	83.1
Wages of employees	8,361	8,321	7,764	7,798	8,042
Total employers' outlays for fringe benefits	1,391	1,378	1,285	1,322	1,332
Fringe benefit outlays as percentage of wages	16.6%	16.6%	16.5%	16.9%	16.6%
Mixed Hi-tech Industries					
Employees (thousands)	58.0	56.8	54.4	52.0	51.7
Wages of employees	8,523	8,735	8,181	8,002	8,269
Total employers' outlays for fringe benefits	1,736	1,776	1,745	1,689	1,674
Fringe benefit outlays as percentage of wages	20.4%	20.3%	21.3%	21.1%	20.2%
Elite Hi-tech Industries		·	·	·	·
Employees (thousands)	66.7	67.2	64.1	62.9	66.0
Wages of employees	12,024	12,361	11,372	11,272	11,869
Total employers' outlays for fringe benefits	2,657	2,739	2,610	2,497	2,537
Fringe benefit outlays as percentage of wages	22.1%	22.2%	23.0%	22.2%	21.4%

**Note:** The category of Elite Hi-tech Industries excludes the sub-category of aircraft.

Sources: Adva Center analysis of Central Bureau of Statistics, Manufacturing Indices, various years; figures received directly from the Business Department of the Central Bureau of Statistics.

#### Top Wage-Earners vs. Bottom Wage-Earners

1988 - 2004

Finally, we present figures on the salaries of two groups of workers: salaried workers in the top income centile and low-wage salaried workers earning no more than two-thirds of the median wage.

While most of the figures presented up to now concerned the first years of the twenty-first century, here we present figures since 1988.

The figures are taken from an analysis performed by the Adva Center on figures from the annual income surveys of the Central Bureau of Statistics. The analysis focuses on employed persons and does not included self-employed individuals. The first table presents figures for wage-earners at the bottom of the scale, those earning up to two-thirds of the median wage, and the second presents figures for the top one percent of salaried persons.

The first table shows that low salaries have risen very little over the past 16 years: from NIS 3,200 a month to NIS 3,435 a month, an increase of 7.3%. In contrast, the threshold of the top income centile has risen from NIS 21,324 a month to NIS 29,711 a month, an increase of 39.3%.

Moreover, the share of the total income (of all salaried persons) earning twothirds of the median wage or less decreased, from 9% in 1988 to 8% in 2004, while the share of the top centile increased from 5% to 6%.

Notably, both groups enjoy a similar portion of the total income: in 2004 wage-earners at the bottom received 8% of the total income, and wage-earners at the top -6%. However, low wage-earners comprised 26% of all wage-earners, while the top centile is comprised of one percent of all wage-earners.

The analysis in this section was done by Ms. Faina Pesakov.



#### **Workers Earning up to Two-Thirds of the Median Wage**

1988-2004 • NIS • Constant 2004 prices

	1988	1992	1997	2001	2004
Median wage	4,799	4,374	4,796	5,304	5,156
2/3 of median wage (low wage)	3,200	2,916	3,197	3,536	3,435
Low-wage earners as a percentage of all workers	28%	28%	28%	27%	26%
Salaries of low-wage earners as a percentage of all salaries	9%	8%	8%	8%	8%

Sources: Adva Center analysis of Central Bureau of Statistics, Income Surveys files, various years.



#### **Workers in the Top Centile**

NIS • Constant 2004 prices

***	1988	1992	1997	2001	2004
Threshold of the top centile	21,324	23,738	28,156	32,913	29,711
Top centile workers as a percentage of all workers	1%	1%	1%	1%	1%
Salaries of top centile workers as a percentage of all salaries	5%	6%	7%	7%	6%

Sources: Adva Center analysis of Central Bureau of Statistics, Income Surveys files, various years.

#### Who's Who

1988 - 2004

Salaried workers in the top centile are overwhelmingly men (88%), while twothirds of workers in the bottom category are women.

Nevertheless, the proportion of women in the top centile has increased in recent years, from 6% in 1988 to 12% today, while the proportion of men declined accordingly.

In the past, all salaried workers in the top centile were Jews, while today a small proportion – 3% – are Arabs (Prior to 1997, the sample for the Arab population of Israel was not representative of the whole, and thus we do not present figures for earlier years). In 2004, Arabs comprised 12% of low-wage workers. Regarding Jews alone, we see an increase of third-generation Jews and a decrease of first and second generation Jews, both Mizrahi and Ashkenazi, in the low-income group, in accordance with the decrease in their share of the general population. About a fourth of low-income earners are new immigrants who arrived in Israel after 1990, most of them from the former Soviet Union. Immigrants' share in the low-income group was 20% in 1990 and 25% in 2001. In 2004 their share experienced a small decline. Their representation in the top centile was and still is negligible.

In both the top and bottom income groups, there is a decline in the share of persons with up to 12 years of schooling, due to the general decline of persons with less than a high school education. In contrast, there is an increase in the representation of college-educated persons (16 years of schooling or more) in both the top and bottom income groups. The increase in the share of college-educated persons in the bottom income group, from 10% in 1988 to 17% in 2004, probably reflects the large numbers of immigrants from the former Soviet Union who did not find jobs in keeping with their training. The increase in the share of college-educated persons in the top income group - large to begin with - reflects the expansion of higher education in Israel, especially among the affluent.

#### **Low-Wage Earners and Top Centile Earners**

1988–2004 • Percentages

	1988	1992	1997	2001	2004
Low wage group		·	·	·	!
Men	34	34	36	32	33
Women	66	66	64	68	67
Jews	95	94	88	86	88
Arabs	NA	NA	12	14	12
Jews born in Israel: fathers born in Asia-Africa	27	26	22	21	19
Jews born in Israel: fathers born in Europe- America	15	13	11	10	11
Jews born in Israel: fathers born in Israel	10	10	11	15	19
Immigrants from former USSR, since 1990	-	20	20	25	23
Persons with up to 12 years of schooling	73	68	64	59	55
Persons with 13-15 years of schooling	17	20	24	27	27
Persons with 16 years or more of schooling	10	12	12	14	17
Top centile					
Men	94	94	90	92	88
Women	6	6	10	8	12
Jews	100	100	97	97	97
Arabs	NA	NA	3	3	3
Jews born in Israel: fathers born in Asia-Africa	9	10	12	11	17
Jews born in Israel: fathers born in Europe- America	53	38	46	34	38
Jews born in Israel: fathers born in Israel	9	9	6	16	13
Immigrants from former USSR, since 1990	-	3	1	4	3
Persons with up to 12 years of schooling	17	18	12	11	11
Persons with 13-15 years of schooling	16	20	18	17	12
Persons with 16 years or more of schooling	67	60	70	73	77

Note: It should be noted that in 1988 and 1992, the figures for Arabs in both wage categories are limited in reliability due to the fact that the income surveys conducted in those years did not include the entire Arab population.

 $\textbf{Source:} \quad \text{Adva Center analysis of the Central Bureau of Statistics, } \textit{Income Surveys files, } \textit{various years.}$ 

Part 3

New Jobs

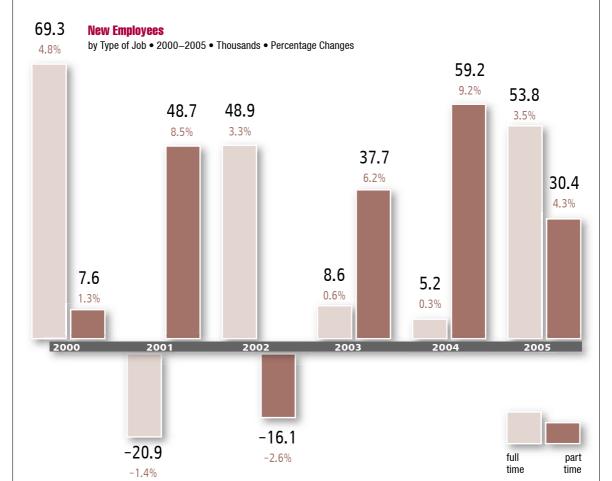
#### Most of New Jobs Created Since 2000 are Part-Time

Most of the new jobs created in Israel in the 2000s are part-time. As we will see, more than a fourth of their job-holders would prefer to work full-time.

Since 2000, 332,000 new jobs were created, more than half of them -167,500 – are part-time, while the other 164,900 are full-time.

During the renewed economic growth of the last three years -2003, 2004 and 2005 - 194,900 new jobs were created, 65% of them (127,300) part-time and only 67,600 full-time.

In 2005, the number of new full-time jobs was greater than the number of new part-time jobs. Nevertheless, the number of new full-time jobs -58,800 – was still not as large as the number of new full-time jobs in 2000 - 69,300



**Note:** Does not include persons temporarily absent from work.

Sources: Adva Center analysis of Central Bureau of Statistics, Press Release of February 28, 2006, "Statistics from the Manpower Survey for the Last Quarter of 2005 and for the Year 2005"; Current Statistics, Labour Force Surveys 2004, Publication # 13/2005.

#### Most of New Men's Jobs Created Since the Renewal of Economic Growth Are Part-Time

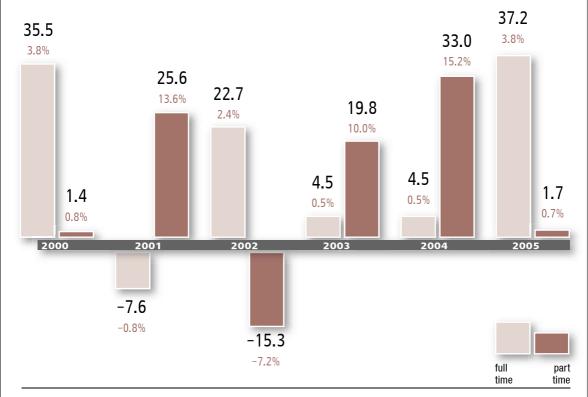
Examining the figures by gender, we find that most of men's new jobs are full-time and that most of women's new jobs are part-time. Of the 163,000 new jobs held by men created between 2000 and 2005, about 97,000 were full-time, and about 66,000 were part-time.

However, if we focus on 2003-2005, three years characterized by economic growth, we find that the number of new part-time jobs held by men is greater than the number of new full-time jobs held by men.

In 2005, new full-time jobs held by men outnumbered new part-time jobs held by men. The number of new full-time jobs recorded for 2005 is similar to that for 2000 – the year of the domestic and global high tech bubble.

#### **Men: New Employees**

by Type of Job • 2000-2005 • Thousands • Percentage Changes



**Note:** Does not include persons temporarily absent from work.

Sources: Adva Center analysis of Central Bureau of Statistics, Press Release of February 28, 2006, "Statistics from the Manpower Survey for the Last Quarter of 2005 and for the Year 2005"; Current Statistics, Labour Force Surveys 2004, Publication # 13/2005.

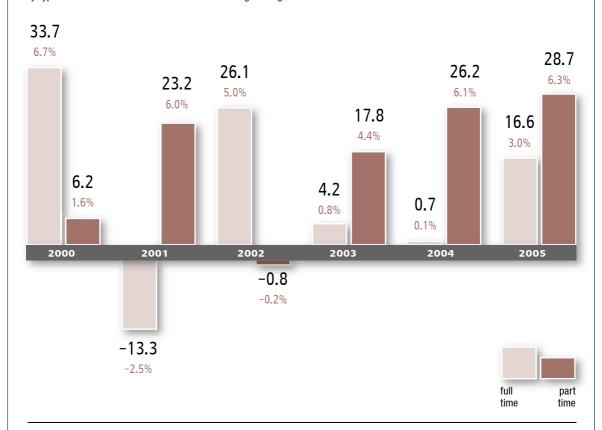
### Most of Women's New Jobs Created Since the Resumption of Economic Growth Are Part-Time

Of the 170,000 new jobs created between 2000 and 2005 held by women, about 60% are part-time jobs and the remainder full-time.

If we focus on the last three years, 2003-2005, years characterized by economic growth, we find that the percentage of increase in part-time jobs is much greater than that of full-time jobs. During this 3-year period, 94,200 new jobs were taken up by women, 77% (72,700) of them part-time.

#### **Women: New Employees**

by Type of Job • 2000–2005 • Thousands • Percentage Changes



Note: Does not include persons temporarily absent from work.

Sources: Adva Center analysis of Central Bureau of Statistics, Press Release of February 28, 2006, "Statistics from the Manpower Survey for the Last Quarter of 2005 and for the Year 2005"; Current Statistics, Labour Force Surveys 2004, Publication # 13/2005.

#### What Kinds of Jobs Were Created During 2000-2004?

The new jobs created in the 21st century are in to be found in different parts of the economy. In many cases, job growth was unequal across economic sectors, concentrated in areas in which wages were low and jobs part-time. We discuss women and men separately (Figures by economic area are available only up to 2004).

#### Women

About half of the new jobs held by women are in the areas of health, welfare, education and community services, most of which involve low remuneration. In the business sector, business services experienced the greatest job growth. The following table shows that the two business service categories with the most job growth were "Other Business Activities" (including legal, book-keeping and accounting services; advertising; architectural and engineering services) – 30%, and "Security and Cleaning Activities" – 76.4%. The latter consist of blue collar jobs at low pay

#### **Women: New Employees by Economic Sector**

2000–2004 • Economic Sectors With at Least 2,000 New Women Employees • In Descending Order of Number of New Women Employees • Thousands and Percentages

	New Female Employees 2000-2004	Percentage Changes 1999-2004
Total	140.0	14.6%
Health, Welfare and Social Services	35.0	21.9%
Business Activities	32.4	33.3%
Thereof: Other business activities	16.5	29.9%
Thereof: Security and cleaning activities	9.4	76.4%
Education	28.8	14.1%
Trade and Repair of Motor Vehicles	16.8	15.0%
Transport, Storage and Communications	9.9	28.1%
Thereof: Telecommunications	6.7	71.3%
Banking, Insurance & Finance	6.9	16.5%
Hotel and Restaurant Services	5.2	13.3%
Community, Social, Personal and Other Services	5.0	10.2%
Manufacturing: Electronic Components	3.7	55.2%
Manufacturing: Food Products	2.9	20.6%
Construction	2.3	27.1%
Manufacturing: Metal Products	2.0	40.8%

Note: The category of Business Activities includes the sub-category of Research and Development. Sources: Adva Center analysis of Central Bureau of Statistics, Labour Force Surveys, various years.

#### Men

In the five years 2000-2004, 124,100 new jobs were taken up by men. Sixty-three percent of these jobs were in the general category of Business Activities, including the sub-category of "Security and Cleaning Services," which alone contributed 23,000 new jobs. What this means is that about one-fifth (19%) of new jobs were the direct result of the *intifadah*, and not a derivative of economic growth. The low-income jobs in security and cleaning have their counterparts in commerce, food production; hotel and restaurant services; and welfare, community and personal services, all of which involve part-time work at low pay. Alongside these, men took up full-time jobs at much better pay, mainly in hi tech industries (see computer services, electronic parts and control equipment in the table below). These parallel developments reflect the structure of the Israeli economy, which creates a large number of part-time jobs at low pay, while at the same time has developed a small number of areas offering full-time jobs at decent pay.

#### Men: New Employees by Economic Sector

2000–2004 • Economic Sectors with at Least 2,000 New Men Employees • In Descending Order of Number of New Men Employees • Thousands and Percentages

	New Men Employees 2000-2004	Percentage Changes 1999-2004		
Total	124.1	10.6%		
Business activities	63.0	49.5%		
Therein: Security and cleaning activities	23.0	94.7%		
Therein: Business activities	22.3	42.1%		
Therein: Computer and related services	13.3	44.2%		
Trade and Repair of Motor Vehicles	26.3	15.5%		
Transport, Storage and Communications	8.8	8.8%		
Therein: Telecommunications	6.3	57.8%		
Manufacturing: Food Products	8.7	30.4%		
Health, Welfare and Social Services	8.3	15.9%		
Hotel and Restaurant Services	8.0	15.7%		
Education	6.7	10.4%		
Construction	6.1	5.5%		
Manufacturing: Electronic Components	6.1	62.9%		
Community, Social, Personal and Other Services	5.3	10.6%		
Manufacturing: Industrial Equipment for Control and Supervision, Medical and Scientific Equipment	3.3	21.7%		
Manufacturing: Plastic and Rubber Products	2.1	16.2%		

Notes: 1. The category of Business Activities includes the sub-category of Research and Development.

Sources: Adva Center analysis of Central Bureau of Statistics, Labour Force Surveys, various years.

#### Hi Tech Cannot Employ All Israelis

The most glamorous sector of the Israeli economy is hi tech. It accounts for about half of all industrial exports, and it contains some of the biggest economic success stories of recent years.

However, only a small portion of the Israeli work force works in hi tech: in 2004, slightly more than 8%; this also includes hi tech services (see the box below).

The hi tech sector in Israel was adversely affected by the bursting of the global hi tech bubble in 2000, as well as by the recession resulting from the *intifadah*. This was clearly reflected in a loss of jobs. The decline came after the number of jobs had almost doubled in the second half of the 1990s, from 115,500 in 1995 to 207,500 in 2001.

During the *intifadah*, hi tech lost 15,000 jobs; in 2003, it had a total of 192,600 jobs. The female workforce declined by 11% and the male workforce by 5%. In 2004, Israel's hi tech sector began once again to expand, reflected in 4,500 new jobs, 3,700 in electronic components, 2,800 of whose new jobs were taken up by men and 900 by women.

Despite its renewed growth, hi tech cannot possibly absorb all new entrants to the labor market, due to its small share of the civilian labor force. Figures published by the Economics Department of the Manufacturers' Association show that in 2005, a total of 4,100 new jobs – 6.4% of the total new jobs created that year - were in hi tech manufacturing ("Monthly Analysis of Manufacturing," April 5, 2006). No figures are available on new jobs in hi tech services in 2005. It should be noted that the *intifadah* affected not only jobs but also wage levels. Between 2001 and 2003, the average monthly wage for salaried persons in hi tech declined by 10.5%, from NIS 15,452 to NIS 13,826.

When Israel began to emerge from the recession in 2004, there was a small increase in the average monthly wage in hi tech, from NIS 13,826 to NIS 14,056. The increase was not across the board: in the sub-category of electronic components, for example – in which most of the new jobs were to be found – the average monthly wage for salaried workers actually declined, from NIS 12,116 to NIS 10,789.

The hi tech sector includes a number of manufactures

(pharmaceuticals, machinery, electronic components, communications equipment, quality control equipment and aircraft), as well as a number of services (communications, computer services, research and development)



#### **Hi-Tech Workers**

by Gender • 2000–2004 • Total Workers and Percentage of New Workers • by Sub–Sector • Thousands

WALL	2000	2001	2002	2003	2004
High-Tech Sector - Total	189.3	207.5	193.2	192.6	197.1
Men	123.1	134.6	126.1	127.8	131.5
Women	66.0	72.7	67.0	64.8	65.5
Percentage of New Workers: Men	22.9	11.4	- 8.5	1.7	3.7
Percentage of New Workers: Women	13.9	6.7	- 5.7	- 2.2	0.7
Manufacturing in the High-Tech Sector	89.2	92.2	89.3	89.7	93.4
Men	60.9	61.5	61.0	62.5	65.0
Women	28.3	30.5	28.1	27.2	28.4
Percentage of New Workers: Men	6.9	0.6	- 0.5	1.5	2.5
Percentage of New Workers: Women	4.4	2.2	- 2.4	- 0.9	1.2
Services (knowledge-intensive) in the Hi-Tech Sector	100.1	115.3	103.9	102.9	103.7
Men	62.3	73.1	65.1	65.3	66.5
Women	- 37.7	42.2	38.9	37.7	37.2
Percentage of New Workers: Men	16.0	10.8	- 8.0	0.2	1.2
Percentage of New Workers: Women	9.5	4.5	- 3.3	- 1.2	- 0.5

Sources: Adva Center analysis of Central Bureau of Statistics, Labour Force Surveys, various years



	2001	2002	2003	2004
ligh-Tech Sector - Total	15,452	14,217	13,826	14,050
Manufacturing in the High-Tech Sector	14,783	14,215	14,033	14,094
Thereof: Electronic components	11,949	12,181	12,116	10,789
Thereof: Electronic communications equipment	17,917	16,911	16,904	17,829
Thereof: Industrial equipment for control and supervision, medical and scientific equipment	17,411	16,611	16,272	16,70
Thereof: Transport equipment (including aircraft manufacture)	13,764	13,332	13,216	13,23
services (knowledge-intensive) in the High-Tech Sector	15,969	14,219	13,661	14,020
Thereof: Communications	10,888	9,914	9,656	9,16
Thereof: Computer and related services	17,903	15,837	15,095	15,49
Thereof: Research and development	17,025	16,000	15,851	17,326

Sources: Adva Center analysis of Central Bureau of Statistics, Labour Force Surveys, various years.

#### Renewed Economic Growth: Not a Boon to All Workers

At the time of writing (April 2006), some 310,000 Israeli workers are unable to benefit fully from the renewed economic growth, either because they are unemployed, they have despaired of finding work, or they are working part-time instead of full-time. We discuss each of these groups briefly below.

#### **Unemployed Persons**

During the *intifadah*, there was a sharp rise in unemployment: in 2002, 2003 and 2004, employment stood at more than 10%. Such a high level of unemployment occurred only in 1991-1993, during the peak of immigration from the former Soviet Union.

In 2005 and the first quarter of 2006, with resumed economic expansion, unemployment decreased to 9%.

#### The Worsening Situation of the Unemployed

Unemployed persons are entitled to unemployment compensation only under certain conditions. The first requirement is that they register with the Government Employment Service. If, after registration, the Employment Service fails to find employment for them, they are entitled to submit a request for unemployment compensation to the National Insurance Institute.

The bureaucratic procedures involved result in only some of unemployed persons registering with the Employment Service: since 1995, about 80% on average. A much smaller proportion actually receives unemployment compensation: in 1995-2001, an average of 46% of the unemployed (Calculated from Esther Toledano, "Recipients of Unemployment Compensation in 2004," Table A).

Between 2002 and 2004, the terms of entitlement to unemployment compensation were made more stringent. As a result, in 2004, the proportion of unemployed persons receiving compensation dropped to 21%. In addition, the payments themselves were sharply curtailed. As a result, despite the fact that the number of unemployed persons rose, total payments declined, from NIS 3.5 billion in 2001 and in 2002, to NIS 2.1 billion in 2004 (Ibid: Table

#### **Increase in the Duration of Unemployment**

12).

While the unemployment rate is slowly decreasing, the duration of unemployment is increasing. In 2004, 23% of unemployed women and 25.7% of unemployed men remained unemployed for over a year; in 1997, only 6% of

Most of the unemployment figures presented below are published annually by the NGO "Commitment to Peace and Social Justice." The most recent report, *Unemployment 2005*, was published in March 2006.

men and the same percentage of women remained unemployed for that long.

#### **Workers Who Give Up Looking for Work**

Among the unemployed, there are persons who have given up looking for work. In 2004, their proportions among Jews amounted to 1.1% of the Jewish work force, compared with 0.8% in 2000. If we add those who have given up finding work to the ranks of the officially unemployed, we find that the real unemployment rate is higher than that reported in the media.

The increase in persons who give up looking for work is greater among Arab and "other" citizens ("Others" are Christians who are not Arabs, most of them immigrants from the former Soviet Union). This is especially true for women: the proportion of Arab men giving up on finding work increased in the course of four years from 4.1% in 2000 to 7.9% of the work force of Arabs and Others in 2004, while the proportion of Arab women giving up increased from 6.9% to 12.2%.

#### Part-Time Workers Who Desire Full-Time Jobs

Another group that ought to be added to the unemployed are workers employed part-time who desire full-time jobs. In 2000, some 19% of part-time workers in Israel reported that they wanted to work full-time; in 2005, their proportions rose to 28.5%.

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